

A PERIOD OF ARMED TRUCE

to Iran, as it left a margin in Soviet exports to Iran that was not to be included in the net balance principle. Besides, the principle of the exchange of Iranian raw materials for Soviet manufactured goods did not correspond to Iranian interests in the long run. A good example was textile goods. In 1929 Iran would sell cotton to Russia for 52 million rials and buy textiles from Russia at a cost of 200 million rials.¹⁶ The difference was the penalty that Iranian people had to pay for lack of their own industries. Aware of this painful situation, Reza Shah took energetic steps to develop a native textile industry. His work was crowned with success: imports of Russian cotton goods fell from around 21 million rubles in 1930 to about 8 1/2 million rubles in 1932.¹⁷

In 1935 a new trade treaty was signed, which expired in 1938. It was also based on the net balance principle with certain exceptions. On the whole, it permitted the Soviet Union to maintain a favorable balance of trade with Iran, which amounted between 1935 and 1938 to 142 million rials.

Throughout the 1930's Russia occupied first place in Iran's foreign trade, and her share amounted to about one-third of the total. Reciprocally, trade with Iran constituted an important part of Soviet foreign trade, amounting in 1931-1932 to 17 per cent of Russia's total. Only in the year preceding the second World War did Russia cede her predominant place to Germany. Between 1938 and 1939 the Soviet share in Iran's foreign trade fell from 34 to 11.5 per cent, while the German share rose from 27 to 41.5 per cent. This was due partly to the fact that the Soviet-Iranian Commercial Treaty of 1935 was not extended and partly to the intense economic

activity of Germany in preparation for war. It is worth while to note in this connection that during the first year of the war, in 1939-1940, when Soviet trade with Iran fell almost to zero and German trade amounted to 39 per cent of the total, most of the Iranian exports to Nazi Germany went in transit through Russia.

To conclude this brief review of Soviet-Iranian economic relations in the interwar period, it may be stated that the Soviet Union consistently strove to maintain Iran in a state of economic subjection

^{1B} *Ibid.*, p. 73.

^{1T} *Ibid.*